

AMENDED IN ASSEMBLY AUGUST 13, 2012

AMENDED IN ASSEMBLY JUNE 26, 2012

AMENDED IN SENATE MAY 3, 2012

AMENDED IN SENATE APRIL 24, 2012

SENATE BILL

No. 1289

Introduced by Senator Corbett

February 23, 2012

An act to add Article 14.5 (commencing with Section 69800) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

SB 1289, as amended, Corbett. Postsecondary education: private student loans.

Existing law establishes the University of California, California State University, the California Community Colleges, and independent colleges and universities as the 4 segments of postsecondary education in this state. Existing law establishes various student financial aid programs for students attending all segments of postsecondary education.

This bill would require a public, private, or independent postsecondary educational institution, except the California Community Colleges, to make specified disclosures related to private student loans in financial aid material and private loan applications provided or made available by the institution, to distinguish private loans from federal loans in individual financial aid awards, and, if the institution provides a private loan lender list, to provide general information about the loans available through the lender and disclose the basis for each lender's inclusion on the list. The bill would authorize and request the California Community

Colleges to comply with these provisions, and would apply to the University of California only to the extent that the Regents of the University of California act, by resolution, to make it applicable.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Article 14.5 (commencing with Section 69800)
2 is added to Chapter 2 of Part 42 of Division 5 of Title 3 of the
3 Education Code, to read:

4
5 Article 14.5. Private Student Loans

6
7 69800. A public, private, or independent postsecondary
8 educational institution, except the California Community Colleges,
9 shall do all of the following:

10 (a) (1) State ~~and~~ both of the following in all printed and online
11 financial aid materials issued or distributed by the institution to
12 applicants for admission or matriculated students and with private
13 loan applications provided or made available by the institution:

14 (A) Federal student loans are required by law to provide a range
15 of flexible repayment options, including, but not limited to,
16 income-based repayment and income-contingent repayment plans,
17 and loan forgiveness benefits, which ~~private~~ other student loans
18 are not required to provide.

19 ~~(B) Private student loans may or may not cost more than federal~~
20 ~~loans.~~

21 ~~(C)~~

22 (B) Federal direct loans are available to students regardless of
23 income.

24 (2) The institution may continue to use financial aid materials
25 that are printed before January 1, 2013, if the institution includes
26 an insert with the printed material that provides the information
27 required in paragraph (1). All financial aid materials printed on or
28 after January 1, 2013, shall include the information required in
29 paragraph (1).

30 (b) Clearly distinguish private loans from federal loans in
31 individual financial aid awards by stating, for any private loans

1 included by the institution as part of the institution's award
2 package, all of the following:

3 (1) Whether the rate is fixed or variable.

4 (2) An explanation that private student loan lenders can offer
5 variable interest rates that can increase or decrease over time,
6 depending on market conditions.

7 (3) An explanation that private student loans have a ~~wide~~ range
8 of interest rates *and fees* and students should determine the interest
9 rate of, *and any fees associated with*, the private student loan
10 included in their financial aid award package before accepting the
11 loan.

12 (4) An explanation that students should contact the lender of
13 the private student loan or their postsecondary educational
14 institution's financial aid office if they have any questions about
15 a private student loan.

16 ~~(5) Any and all fees associated with the assumption of the loan.~~

17 ~~(6)~~

18 (5) An explanation that the interest rate on a private loan may
19 depend on the borrower's credit rating.

20 (c) If the institution provides a private loan lender list, it also
21 shall provide general information about the loans available through
22 the lender and disclose the basis for each lender's inclusion on the
23 list. The institution shall also disclose with the list that the student
24 has the ability to choose any lender.

25 69800.5. The California Community Colleges may, and are
26 requested to, comply with the provisions of this article.

27 69801. This article shall apply to the University of California
28 only to the extent that the Regents of the University of California
29 act, by resolution, to make it applicable.